

Message Text

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ORIGIN EB-11

INFO OCT-01 STR-08 ISO-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10

RSC-01 SP-03 AID-20 NSC-07 CIEP-02 TRSE-00 SS-20

OMB-01 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 FEA-02 DODE-00 INT-08 TAR-02 SWF-02

DEAE-00 SNM-02 (ISO) R

DRAFTED BY EB/TA :ERSTUMPF/STR: FAHARRIS AM

APPROVED BY EB/TA:WBARRACLOUGH

STR - FAHARRIS

----- 124811

R 052329Z APR 74

FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS

UNCLAS STATE 069884

INFORM CONSULS

E.O. 11652:N/A

TAGS: ETRD

SUBJECT: SENATE TRADE BILL PUBLIC HEARINGS

1. SUMMARY : AT MIDWAY POINT OF PUBLIC HEARINGS, TENOR OF TESTIMONY FAVORS TRADE REFORM ACT (TRA). MAJOR PROBLEM REMAINS JACKSON-VANIK AMENDMENT LINKING GRANT OF MFN AND CREDITS TO COMMUNIST NATIONS WITH FREE EMIGRATION. WITNESSES TO DATE REPRESENTING INDUSTRIAL, AGRICULTURAL, ACADEMIC, AND TRADE ORGANIZATIONS HAVE GENERALLY SUPPORTED BILL URGING, OF COURSE, MODIFICATIONS MIRRORING THEIR OWN INTERESTS. ORGANIZED LABOR OPPOSES BILL. GEORGE MEANY DELIVERED STRONGEST ATTACK ON THE BILL AND STRONGEST SUPPORT FOR JACKSON-VANIK AMENDMENT. (END OF SUMMARY)

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2. TIMING : SENATE FINANCE COMMITTEE(SFC) BEGAN TAKING TESTIMONY MARCH 21ST FROM A PARADE OF NEARLY 150 PUBLIC WITNESSES. COMMITTEE PLANS TO CONCLUDE HEARINGS APRIL 10TH FOR EASTER RECESS. TO DATE THERE HAS BEEN NO COMMITMENT FROM SFC CONCERNING TIMING OF THE MARK-UP. EARLIEST THAT MARK-UP COULD START WOULD BE APRIL 29. HOWEVER, ENERGY TAX BILL WHICH WAYS AND MEANS COMMITTEE IS REPORTED ABOUT TO SEND TO HOUSE FLOOR COULD CONCEIVABLY PASS HOUSE BEFORE EASTER RECESS. IN THAT EVENT, CHAIRMAN LONG COULD TURN TO CONTROVERSIAL ENERGY TAX BILL. SFC MARK-UP MIGHT REQUIRE AS LONG AS FOUR WEEKS. ADDITIONAL WEEK OR MORE NEEDED FOR SENATE FLOOR DEBATE. AND THEN TO CONFERENCE.

3. INDUSTRY WITNESSES: BUSINESS REPRESENTATIVES GENERALLY FAVOR THE OVERALL BILL RECOGNIZING THAT PRESIDENT NEEDS BROAD AND FLEXIBLE NEGOTIATING AUTHORITY. USUAL DIVERGENCE BETWEEN IMPORT COMPETING INDUSTRIES ON ONE HAND AND MULTINATIONAL CORPORATIONS (MNC'S), EXPORTING INDUSTRIES, AND IMPORTERS ON THE OTHER REFLECTED IN HEARINGS. GENERALLY IMPORT COMPETING INTERESTS FAVOR REDUCTION IN PRESIDENT'S NEGOTIATING AUTHORITIES, SUPPORT SECTOR NEGOTIATIONS (E.G., CHEMICAL, HEAVY ELECTRICAL EQUIPMENT INDUSTRIES BUT PAPER INDUSTRY OPPOSES), URGE FURTHER STRENGTHENING OF IMPORT RELIEF PROCEDURES (ESPECIALLY UPGRADING ORDERLY MARKETING ARRANGEMENT AS RELIEF PROVISION), WANT TIGHTENING OF ANTI-DUMPING PROVISIONS AND OPPOSE CLAUSE GIVING TREASURY DISCRETION NOT TO IMPOSE COUNTERVAILING DUTIES (CVD) IF WOULD SERIOUSLY JEOPARDIZE TRADE NEGOTIATIONS. MOST INTERNATIONAL TRADE INTERESTS FAVOR TIGHTENING OF ESCAPE CLAUSE PROVISIONS, GREATER FLEXIBILITY IN THE SECTOR NEGOTIATION PROVISIONS, AND INCREASING TREASURY'S DISCRETION TO SUSPEND CVD DURING THE MTN. MNCS CHORUSING AGAINST INCLUDING TAX PROVISIONS IN BILL. ALL INDUSTRY REPRESENTATIVES SEEK CLOSER CONSULTATIONS BETWEEN BUSINESS AND U.S. TRADE NEGOTIATORS. SOME HAVE URGED PERMANENT CONGRESSIONAL STAFF PARTICIPATION IN THE NEGOTIATIONS.

4. LABOR: UNIONS ALL OPPOSE THE BILL. GEORGE MEANY (AFL-CIO) ATTACKED TRA AS OBSOLETE AND NOT RESPONSIVE TO UNCLASSIFIED

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THE EMPLOYMENT AND SHORTAGE PROBLEMS FACING U.S. HE STRESSED NEED CLOSE TAX LOOPHOLES USED BY MNCS. WOODCOCK (UAW) REQUESTED COMMITTEE TO ESTABLISH TEMPORARY QUOTAS ON OVERSEAS (EXCLUDING CANADA) AUTO IMPORTS OR ALTERNATIVELY, GIVE PRESIDENT THIS AUTHORITY. THIS WOULD ALLOW U.S. MANUFACTURES TO CONVERT PLANTS TO MEET SHIFTED DEMAND FOR SMALLER CARS. WOODCOCK ALSO SUGGESTED RAISING U.S. TARIFF ON OVERSEAS AUTO IMPORTS

TO EC/JAPANESE LEVEL. AFL-CIO CHARACTERIZED WORKER ADJUSTMENT ASSISTANCE PROVISIONS AS INADEQUATE BURIAL INSURANCE. WOODCOCK MADE CONCRETE PROPOSAL TO SUBSTANTIALLY LIBERALIZE ADJUSTMENT ASSISTANCE. BURKE-HARTKE BILL WAS NOT DIRECTLY SUPPORTED BY AFL-CIO DURING ITS TESTIMONY AND WAS SPECIFICALLY OPPOSED BY UAW.

5. AGRICULTURE :MOST FARM ORGANIZATIONS WANT AGRICULTURAL AND INDUSTRIAL ISSUES NEGOTIATED TOGETHER IN MTN. THUS, THEY OPPOSE SECTOR NEGOTIATIONS ON EITHER TARIFFS OR NONTARIFF BARRIERS. DAIRY INTERESTS ARE SEEKING SPECIFIC MAINTENANCE OF SECTION 22 IN TRA. GENERALLY OPPOSE CVD DISCRETION INCLUDING ON ARTICLES ALREADY COVERED BY QUOTAS.

6. OTHER WITNESSES: ACADEMICS AND CONSUMER GROUPS FAVOR LIBERAL TRADE POLICIES. FRED BERGSTEN (BROOKINGS) EMPHASIZED THAT MAJOR PROBLEM WHICH TRA MUST ADDRESS IS INFLATION, NOT EMPLOYMENT. HE ALSO EMPHASIZED THAT FLEXIBLE EXCHANGE RATE CHANGES CAN SWAMP TRADITIONAL TRADE POLICY MECHANISMS.

7. JACKSON-VANIK AMENDMENT: JACKSON-VANIK TESTIMONY HAS BEEN PREDICTABLE. GEORGE MEANY SPENT ALMOST HALF OF HIS TWO HOURS BEFORE SFC EXPLAINING HIS HARD LINE POSITION ON U.S.-USSR RELATIONS. ALTHOUGH AFL-CIO HAS GIVEN UNRESERVED SUPPORT FOR JACKSON-VANIK, MEANY HARDLY MENTIONED AMENDMENT IN HIS ORAL TESTIMONY. HE TOOK HARDER LINE, URGING COMMITTEE NOT TO EXTEND MFN OR CREDITS TO THE SOVIETS, BUT TO DEAL WITH THEM ON BASIS OF "YANKEE HORSE TRADING". WOODCOCK (UAW) TOOK NO POSITION ON JACKSON AMENDMENT. SPECIAL INTEREST GROUPS SUPPORTING AND OPPOSING JACKSON AMENDMENT ARE SCHEDULED FOR NEXT UNCLASSIFIED

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FEW DAYS. INDUSTRY PRESENTATIONS ON JACKSON-VANIK HAVE GENERALLY HOPED FOR A COMPROMISE, SOME FAVORING DELETION OF TITLE IV IF COMPROMISE CANNOT BE REACHED. MULTINATIONALS WITH EASTERN EUROPEAN BUSINESS OPPORTUNITIES HAVE BEEN STRONGEST IN OPPOSITION. MANY IMPORT COMPETING INDUSTRIES HAVE TAKEN NO POSITION. ALTHOUGH 11 OF COMMITTEE'S 17 MEMBERS ARE AMONG THE 78 FORMAL CO-SPONSORS OF JACKSON AMENDMENT, MOST APPEAR TO HOPE THAT COMPROMISE WILL BE WORKED OUT ON ISSUE BETWEEN SECRETARY KISSINGER AND AMENDMENT'S PRINCIPAL BACKERS. MAJORITY OF COMMITTEE HAS BEEN CAREFUL IN QUESTIONS AND COMMENTS DURING HEARINGS NOT TO TAKE FIXED POSITION ON PRESENT LANGUAGE OF AMENDMENT. TWO CO-SPONSORS, DOLE AND HANSEN HAVE PUBLICLY REVERSED THEIR POSITIONS ON JACKSON AMENDMENT. BUT SENATOR BYRD, NOT A CO-SPONSOR, APPEARS NOW TO FAVOR

AMENDMENT TO OVERTUR

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, LAW, TRADE LAW, US CONGRESSIONAL PRESENTATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE069884
Document Source: CORE
Document Unique ID: 00
Drafter: ERSTUMPF/STR: FAHARRIS AM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740092-0206, D740078-0470
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740461/aaaacebn.tel
Line Count: 165
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 14 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2002 by bryansd0>; APPROVED <17 DEC 2002 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SENATE TRADE BILL PUBLIC HEARINGS
TAGS: ETRD, US
To: ALL POSTS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005